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Value versus growth stocks: How advisors are guiding clients
By Rob Burgess
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When it comes to growth stocks, the potential for higher returns can be quite attractive to investors — when times are good, anyway. But that volatility can quickly whiplash in the opposite direction, too.

Advisors say that while they might not appear as interesting in the short term, dividend stocks can play an important role over the long haul. Dividend stocks pay out a portion of the company's profits to shareholders instead of reinvesting in their business.

Zachary Bachner, investment advisor representative at Summit Financial Consulting in Sterling Heights, Michigan, said because of this, these stocks are often considered more "value" focused rather than "growth" focused.

"This means that the stock price may not appreciate as much since the company is not reinvesting in growth opportunities, but they also may be less likely to see volatility during market drawdowns," he said.

Marc Lichtenfeld is the chief income strategist of The Oxford Club in Baltimore and the author of "Get Rich with Dividends: A Proven System for Earning Double-Digit Returns." During a recent webinar with Nia Impact Capital, Lichtenfeld said he focuses on companies that are "not just going to get chopped in half in the next bear market because of valuation resets."

"It's hard to find anything better than passive income when you know you get that income coming into your bank account or brokerage account, and you haven't really done anything to receive it," he said. "It's just a great feeling."

Thomas Van Spankeren, chief investment officer at RISE Investments in Chicago, said many investors underestimate the importance of dividends. These stocks bolster cash flow, reduce volatility and improve portfolio diversification at a time when many investors are overweight growth stocks.

"Profits are a matter of opinion, whereas dividends are a matter of fact," he said. "My opinion has not changed on the importance of dividends for an investor's total return, especially for companies that can grow their dividends healthily over time. Dividend stocks are valuable for clients that desire cash flow as well as in retirement accounts where taxes are not an issue."

Michelle Petrowski, founder and CEO of Anthem, Arizona-based RIA Being in Abundance, said she is a fan of value stocks that will typically pay a dividend versus growth stock.

"The dividend helps offset the loss of stock price when the market has a systemic pullback like in 2008 and creates income that can be strategically deployed into other market opportunities or for someone in the withdrawal or decumulation phase of their life," she said.

Assessing the costs of dividend strategies

Michael Martin, vice president of market strategy for Chicago-based online brokerage TradingBlock, said inflation is currently a major factor in deciding between growth and value stocks.

"Most economists believe inflation will remain, at best, moderate in the coming years and quarters," he said. "If that holds, interest rates will stay stubbornly high, which may … weigh on growth stocks as higher borrowing costs cut into revenues."

However, this hasn't been the case recently as growth stocks have outperformed value in recent years, even with inflation running higher than many expect it to in the future, said Martin.

"With volatility expected in 2025 — not to mention the uncertainty around tariffs — the smartest strategy may be to stay diversified, holding a mix of both growth and dividend stocks to hedge against different scenarios," he said. "Personally, I have been and will remain overweight [on] growth stocks."

Over the past couple of years, a select handful of growth companies have been outperforming the broad markets, said Bachner.

"It can be hard as an investor to choose to invest in dividend stocks when there is so much attention given to the top growth stocks," he said. "However, this is why we believe every investor should be aware of their risk tolerance and ensure their investments align with their personal tolerance and overall financial goals. Depending on the case, growth stocks may be better for some, while dividend stocks may be better for others."

Ryan Salah, certified financial planner and partner at Capital Financial Partners in Towson, Maryland, said dividend strategies can work and be the right tool, but "sometimes you need to evaluate at what cost."

"Clients sometimes want to chase high-dividend payers not realizing the dividend yield continues to increase because the stock price is in decline," he said. "We take a 'total return' approach versus just focusing on dividends."

Why choose?

Andrew Fincher, a financial advisor with VLP Financial Advisors in Vienna, Virginia, said both dividend and growth stocks play an important role in a diversified portfolio.

"They compliment each other quite nicely," he said. "While still correlated together as equities there is still a benefit to each outperforming in differing market cycles."

Brian Huckstep, chief investment officer and co-founder of turnkey investment management platform Advyzon Investment Management, said prudent investors include both dividend payers and growth stocks in their diversified portfolios.

"Both of these investment styles have produced attractive returns over the long run, but these styles tend to go through multi-year periods of relative outperformance momentum," he said.

Vishal Kumar, co-founder of Twin Peaks Wealth Advisors in San Francisco, said dividend stocks and growth stocks both are essential, but the right mix depends on clients' investment objectives, risk tolerance and time horizon.

"It's good to have exposure to dividend payers that are proven established businesses with consistency of cash flows as well as exposure to growing companies that may disrupt industries or find new ways of doing things more efficiently," he said. "For younger clients, I often emphasize growth stocks to maximize compounding. For those approaching retirement, I shift focus toward dividend income while maintaining some exposure to growth for money that isn't needed for 10-plus years."

Chris Grellas is the co-founder of ProsperPlan Wealth in Gold River, California. He said a diversified blend is always his approach. Relying too heavily on dividend stocks for income means those companies are not reinvesting their profits back into the growth of their organization, he said.

"It usually means they do not know how to grow as they once did as the owners are demanding their profits back to them," he said. "This can be a great thing for established companies that are saturated and have little room for explosive growth, but they generally couple with a lack of innovation."

On the other hand, Grellas said growth companies are reinvesting their profits back into the company rather than paying a portion out as a dividend. Generally, this means they know how to make more money for their owners at a higher rate of return, he said.

"Usually [there is] high innovation and more market share to capture," he said. "The challenge is that growth companies typically have higher volatility as they usually are new players to the market, but not always. The volatility can also come from the uncertainty of innovation."

Nathan Winklepleck, portfolio manager and analyst at Donaldson Capital Management in Evansville, Indiana, said clients don't have to choose between dividend investing and growth investing. He said for the last three decades his firm has been focused on finding companies that have a long history of both

paying and growing their dividends each year.

"We believe that a rising dividend income stream also tends to drive price appreciation," he said. "A company that generates more cash dividends for its shareholders each year should be worth more over time."

Petrowski said like anything else, she doesn't believe there's one right or wrong answer when it comes to growth versus value.

"I like a mix of both for diversification because we don't have a guarantee on when one type will be in favor," she said. "However, the general 'theory' is that the longer the timeframe before you need the money, the greater the risk you can take to recover from a market decline, and that can equate toward a heavier growth concentration over value in your portfolio."